

Insurance Division Program Goal		Agency/Program #: 3401-03-G1
		Division: Insurance Division
		Program:
Agency Name:	State Auditor's Office	
Agency Contact:	Jan VanRiper	444-2040
LFC Contact:	Representative Taylor, Representative Sesso	
LFD Liaison:	Kris Wilkinson	444-5834
OBPP Liaison:	Shawn Graham	444-0054

Program or Project Description:

The Insurance Division regulates the insurance industry in Montana. The Examinations Bureau is responsible for licensing insurance carriers, monitoring the financial solvency of insurance companies, collecting premium taxes and company fees, and auditing insurance company annual statements. The Rates and Forms Bureau is responsible for reviewing form filings and rate filings to ensure compliance with the applicable insurance code.

Appropriation, Expenditure and Source					
Fund Name:	2008		2009		Approp & Expenditure numbers are as of April 15, 2008
	Approp.	Expended	Approp.	Expended	
General Fund	0	0	0	0	
State Special	3,810,038	2,894,647	3,952,594	0	
Federal Funds	0	0	0	0	
Total:	\$3,810,038	\$2,894,647	\$3,952,594	\$0	

Legislative Goal(s):

Ensure that the insurance industry complies with the Montana Insurance Code, enforce anti-fraud provisions and provide consumer protection.

Legislative Performance Measures:

1. Review and approve forms within 60 days as required by 33-1-501(2), MCA.
2. Financially examine traditional domestic insurers as often as the commissioner considers advisable, but not less than once every 5 years and examine each captive insurer at least once in 3 years.
3. Respond to and resolve policyholder complaints in timely fashion.
4. Complete market conduct examinations for domestic insurance carriers once every five years as required by 33-1-401, MCA.

2009 Biennium Significant Milestones:		Completion Dates	
		Target	Actual
1			
2			
3			
4			
5			

Agency Performance Report:

1. Review and approve or deny forms within 60 days. Current average: 87 days.

Due to a law passed in 2005, the Forms Bureau is required to complete review and approval or disapproval of all form filings within 60 days of submission or the insurance company submitting may request to have the forms "deemed" approved (33-1-501(2), MCA). The Forms Bureau approved 26,751 forms (does not include number disapproved) with an approval time of 87 days. There were 2 "deemer" requests and none were approved for the period of July 1, 2007 to May 5, 2008.

Reason some forms not approved within 60 days:

a. Many filings are not complete upon submission. Forms staff often request companies to supplement initial information. Some companies are prompt and complete; others require several requests which extends the time required to approve or disapprove, sometimes by months. Forms Bureau will implement a procedure in which forms that are not complete after one or two requests will be disapproved, instead of pending for more information.

b. The "deemer clause" went into effect January 1, 2006, but the Bureau was not given additional FTE's to help meet the deadline. The Insurance Department just moved an FTE to forms from another Bureau to attempt to process more forms in a timely manner. Additionally, the number of "filings" (which often includes several forms) went from 8,790 in calendar year (CY) 2006 to 14,957 in CY 2007, due in part to a new national electronic filing system (SERFF) that made it easier for carriers to file. SERFF filings increased from 55% in 2006 to 73% in 2007 and 91% so far in 2008.

2. Financially, examine traditional insurers every 5 years and captive insurers every 3 years. The Exams Bureau has met this target. As of December 31, 2007 four companies were examined.

By December 31, 2008 five additional traditional companies will be examined and six captive Insurers.

3. Research, investigate, provide assistance, and/or resolve policyholders complaints with insurers. Policyholder Services Bureau researched, investigated, and provided assistance for 3,340 complaints since July 1, 2007. The bureau closed 2,204 cases and recovered \$7,210,929.50 for consumers.

4. Conduct a market conduct examination of domestic insurers every 5 years and optional exams on foreign insurers. There are currently 35 domestic companies, with an average 7 domestic exams to be done each year as an ideal target. Some of the companies are considerably larger and more complex to examine than other companies. Some of the smallest farm mutual companies may take a few weeks to complete. In some years examining one large company occupies most of the resources available, so occasionally staff is not able to do 7 in a year. In FY08 to date 2 domestic exams are in process and 1 foreign, and 3 additional exams are schedule to be started. Though the ideal target of 7 domestics will not be met in FY 09, the largest domestic health insurer as been under examination for almost 2 years, with the preliminary exam report due on May 12, 2008. Due to the size and scope, this exam has taken and will continue to take until the final process is done much more staff resources than a typical exam. The other exams currently in process also are relatively large and complex exams.

LFD Narrative:

LFD ASSESSMENT: Warning

DATA RELEVANCE: The information reported in the Agency Performance section relates to the legislative goals and performance measures.

APPROPRIATION STATUS: Appropriation and expenditure data were provided

COMMENTS/ISSUES:SAO has meet two of the four performance measurements selected for review. The LFD and the SAO negotiate fewer performance measurements than originally submitted. The workgroup may wish to review this again in October 2008 and request additional information on the effectiveness of the additional FTE moved to assist approval of forms within the statutory requirements. The resolution of complaints information reflects those resolved, the workgroup may wish to know the length of time it took to resolve the complaints and how many, if any, are backlogged at this time. In addition the workgroup may wish additional information on the issues and changes requiring the 2 year review of an insurer.

OPTIONS:

- 1) Dismiss from further review
- 2) Review again in October 2008
- 3) Request additional information
- 4) Upgrade or downgrade the rating



Version	Date	Author
	5/20/2008	

Change Description